

We help you build homes

MD			BKC	
CS			DPY	
DO			DIV	
LBA			AC	
AGM			SE	
YE				



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*R*elationships strengthen with concerned commitment.

At **GRUH**, our long-standing commitment and far reaching concerns are pivotal in bridging the 'resource generation' gap for our borrowers.

Fostering this vital resource is the unified camaraderie and unstinted faith of our employees and shareholders alike.

The picture on the cover is part of our calendar theme on "Relationships". The subtle adjustment for focal vision is also perhaps symbolic of the effort we have all to make, to periodically set new sights and see the world in its emerging perspective.

HIGHLIGHTS

Operational Highlights

MD		BKC	
CS		DPY	
RO		DIV	
TRA		AC	
AC			
YE			

(Rs. in lac)

	1993-94	1994-95	1995-96	1996-97	1997-98	Cumulative
Loan Approvals	3491.54	6310.26	7037.01	9588.73	10694.91	43979.54
Loan Disbursements	2565.29	4594.58	7321.24	7901.06	8929.30	35558.36
Cumulative Investment made possible in the Housing Sector	16273.34	26003.51	35209.75	48568.70	66696.30	-

Financial Indicators

	1993-94	1994-95	1995-96	1996-97	1997-98
Gross Income	1050.69	2067.86	3754.32	4866.94	5461.85
Profit After Tax	111.04	231.10	453.77	406.52	102.51
Share Capital	515.00	785.00	1325.00	1325.00	1325.00
Network	617.96	1352.76	2934.61	2959.42	2941.63
Loan Term Borrowings	6533.63	10559.25	12184.16	17498.07	18223.59
Deposits	1378.19	5047.07	6893.78	11610.93	10413.04
Outstanding Loans	6130.05	9917.90	16089.90	21891.57	26482.83
PAT to Average Total Assets (%)	1.69	1.72	2.25	1.50	0.32
PAT to Average Network (%)	18.55	23.45	21.17	13.79	3.47
Debt Equity (Times)	12.80	11.53	6.50	9.24	9.43
Loans to Total Assets (%)	71.87	54.17	73.10	68.27	83.86
Rate of Dividend (%)	12.50	15.00	18.00	12.00	10.00
Book value per share (Rs.)	12.00	17.23	22.15	22.34	22.20
EPS (Rs.)	2.16	2.94	3.42	3.07	0.77

BOARD OF DIRECTORS

MR. NAROTAM SEKHSARIA	Chairman
MR. S. M. PALIA	Vice Chairman
MR. ROHIT C. MEHTA	
MR. NASSER M. MUNJEE	
MR. PRAFULL ANUBHAI	
MR. PYARALI I. FIRASTA	(Upto July 9, 1998)
MR. SATISH MEHTA	(From February 19, 1998)
MR. ANIL SINGHVI	(From February 19, 1998)
MR. B. HANUMANTHA RAO (Nominee of National Housing Bank)	
MR. P. BASU, IAS (Nominee of Govt. of Gujarat)	
MR. RAJESH KISHORE, IAS (Nominee of Govt. of Gujarat)	
MR. SUDHIN CHOKSEY	Executive Director
MR. NITIN PALANY	Managing Director

EXECUTIVES

Mr. Kamlesh H. Shah	Deputy General Manager (Operations)
Ms. Harismita A. Trivedi	Chief Manager (HRD)
Mr. Asif M. Jivani	Senior Manager (Resources)
DR. Paresh P. Shah	Senior Manager (Accounts)
Mr. Utpal S. Kapadia	Manager (Information Systems)
Mr. Marcus N. Lobo	Company Secretary
Mr. Amit R. Chokshi	Area Manager, Ahmedabad & North Gujarat
Mr. Avinash J. Srivastava	Area Manager, Saurashtra
Mr. Kaushal K. Mulani	Area Manager, Western Maharashtra
Mr. Sanjay S. Sathe	Area Manager, Central Maharashtra
Mr. S. Kalyanaraman Iyer	Area Manager, South Gujarat

AUDITORS

SORAB S. ENGINEER & CO.
Chartered Accountants

BANKERS

• Bank of Baroda • Bank of India • Central Bank of India • Dena Bank • ICICI Banking Corp. Ltd. • State Bank of Patiala • State Bank of Saurashtra • Syndicate Bank • Times Bank

REGISTERED OFFICE

"GRUH" Netaji Marg, Near Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006.
Phone : 91-79-6421671 / 72 / 73 / 74 / 75 Fax : 91-79-6560649

RETAIL OUTLETS

Gujarat

Ahmedabad & North Gujarat : Ahmedabad • Himmatnagar • Mehsana
Saurashtra : Bhavnagar • Bhuj • Jamnagar • Junagadh • Rajkot
South Gujarat : Anand • Bharuch • Surat • Vadodara • Vapi

Maharashtra

Central Maharashtra : Aurangabad • Kolhapur • Pimpri • Pune
Eastern Maharashtra : Nagpur
Western Maharashtra : Borivli • Nasik • Panvel • Thane

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the members of GRUH FINANCE LIMITED will be held at Gujarat Chamber of Commerce & Industry Hall, Ashram Road, Ahmedabad - 380 009 on Monday, the 28th September, 1998 at 4.00 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 1998, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Rohit C. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Prafull Anubhai who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Sudhin Choksey who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint the Auditors of the Company in place of the retiring Auditors to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting and to fix their remuneration and for the purpose to pass the following as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 M/s. Sorab S. Engineer & Co., Chartered Accountants, Ismail Building, 381, Dr. D. Naoroji Road, Fort, Mumbai-400 001, the retiring Auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors in consultation with the Auditors plus travelling and reimbursement of out-of-pocket expenses incurred by them for the purpose of audit of the Company's accounts at the Head Office as well as at all the Branch Offices of the Company."

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :-
"RESOLVED THAT Mr. Satish Mehta be and is hereby appointed a Director of the Company whose period of office as a Director shall be subject to determination by the retirement of Directors by rotation."
8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :-
"RESOLVED THAT Mr. Anil Singhvi be and is hereby appointed a Director of the Company whose period of office as a Director shall be subject to determination by the retirement of Directors by rotation."
9. To consider and, if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution** :-
"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, and on coming into force the law relating to buy back of shares, the Articles of the Company be altered in the following manner by inserting the following Article 6A after Article 6 :

Buy Back of shares 6A Notwithstanding anything contained in these Articles, in the event it is permitted by law for a Company to purchase its own shares or securities, the Board of Directors may, if and when thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by the law."

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution** :-
"RESOLVED THAT if and when permitted by the law and subject to all applicable provisions of the law and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to purchase such number of Shares and/or other Securities specified by the Government, of the Company, as may be thought fit, from the existing holders of the shares and/or other Securities of the Company in such proportion and manner as may be permitted by the law, not exceeding 10% of the present paid-up capital of the Company, from such funds of the Company as are permitted to be used for this purpose or out of the proceeds of any issue made by the Company, on such terms and subject to such conditions as may be prescribed by the law".

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the said purchase of Shares or other Securities".

"RESOLVED FURTHER THAT nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company or the Board to buy back any Shares or Securities".

11. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution** :-

"RESOLVED THAT in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue or allot, in one or more tranches, to such persons as are in the permanent employment of the Company at the time the issue is made and to the Managing / whole-time Directors of the Company, as may be decided solely by the Board, such number of shares of the Company of the face value of Rs.10/- each, not exceeding 5% or such higher percentage, if permitted by law, not however exceeding 10% of the subscribed shares of the Company at that time, as the Board may deem fit, for subscription for cash or allocated as an option to subscribe, on such terms and at such price as may be fixed and determined by the Board prior to the issue and offer thereof in accordance with the applicable guidelines and provisions of law and otherwise ranking pari passu with the shares of the Company as then issued and in existence and on such other terms and conditions and at such time or times as the Board may, in its absolute discretion and in the best interest of the Company deem fit; Provided that the aforesaid issue of shares may instead be in the form of fully or partly convertible debentures, bonds, warrants or other securities as may be permitted by the law, from time to time and the issuance of such securities in the aggregate will result in not more than 5% or such higher percentage, as may be permissible, not however exceeding 10% of the subscribed shares of the Company at that time".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of shares as may be required in pursuance of the above issue, and that the shares so allotted shall rank in all respects pari passu with the existing shares of the Company save and except that such shares which may be with or without voting rights, if permitted by the law, shall carry the right to receive either the full dividend or a pro-rata dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the shares shall become effective".

"RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the above mentioned securities to be issued by the creation of mortgages and/or charges on all or any of the Company's immovable and / or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the Issue, the Issue price and all other terms and matters connected therewith including the creation of mortgages and/or charges and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the Issue".

June 12, 1998

By Order of the Board

Registered Office :

"GRUH"
Netaji Marg,
Nr. Mithakhali Six Roads,
Ellisbridge,
Ahmedabad 380 006

Marcus Lobo
Company Secretary

Notes :

- (A) **A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself. A Proxy need not be a member of the Company.** The proxy form should be lodged with the Company at least 48 hours before the time of the meeting.
- (B) The Register of Members and Share Transfer Books of the Company will remain closed from September 18, 1998 to September 28, 1998 (both days inclusive).
- (C) Copies of all documents referred to in the Notice and the explanatory statement are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
- (D) The members are requested to note that the whole of the amount of dividend declared for the year 1994-95 remaining unpaid or unclaimed as on August 31, 1998 will be transferred to the General Revenue Account of the Central Government on or after that date and those members who have not claimed their aforesaid dividend by that date would have to approach the Registrar of Companies, Gujarat for claiming the dividend from him in terms of Section 205B of the Companies Act, 1956.
- (E) In terms of Section 224A of the Companies Act, 1956 a Special Resolution is proposed to be passed for the appointment of the Auditors of the Company as the aggregate of the shareholdings of the nationalised banks, public and other financial institutions and government companies exceed 25% of the paid-up capital of the Company.
- (F) Member Companies/Organisations are requested to send a copy of the resolution of their Governing Body authorising their representatives to attend and vote at this Annual General Meeting.
- (G) Members are requested to promptly notify to the Company any changes in their addresses.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item Nos. 7 and 8

The Board of Directors of the Company had at its meeting held on February 19, 1998 appointed Mr. Satish Mehta and Mr. Anil Singhvi as Additional Directors of the Company. Pursuant to the provisions of Article 121 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr. Satish Mehta and Mr. Anil Singhvi holds office only upto the date of the ensuing Annual General Meeting. The Company has received notices in writing from members under Section 257 of the Companies Act, 1956, signifying their intention to propose the appointment of Mr. Satish Mehta and Mr. Anil Singhvi as Directors of the Company whose period of office as Directors shall be subject to determination by the retirement of Director by rotation.

Mr. Satish Mehta, a Chartered Accountant by profession, has 20 years of post qualification experience in the Housing Finance industry handling functional areas of operations, business development and general management. Mr. Satish Mehta is presently General Manager - Business Development of HDFC Ltd. and has contributed immensely to the progress of the Company since he joined as an Additional Director on the Board.

Mr. Anil Singhvi, a Chartered Accountant by profession, has 15 years of post qualification experience in handling functional areas of finance and treasury operations. Mr. Anil Singhvi is presently Treasurer of Gujarat Ambuja Cements Ltd. and has contributed immensely to the progress of the Company since he joined as an Additional Director on the Board.

Your Directors feel that the Company would greatly benefit from the experience of Mr. Satish Mehta and Mr. Anil Singhvi and accordingly recommend passing of the resolution proposed at Item Nos. 7 and 8 of the Notice.

None of the Directors of the Company except Mr. Satish Mehta in respect of resolution at Item No. 7 and Mr. Anil Singhvi in respect of resolution at Item No. 8 is in any way concerned or interested in the proposed resolutions.

Item No. 9

Article 6 of the Articles of Association of the Company prohibits the Company from buying its own shares. It is proposed to introduce a new Article 6A in the Articles of Association as set out in the Resolution at Item No. 9 to enable the Company to purchase any of its own shares or securities, as proposed in the resolution at Item No.10.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item No. 10

The Act presently prohibits a Company from purchasing its own shares and securities. However it is anticipated that the law may in future permit a Company to buy back its own securities (buy-back of securities).

Subject to the buy-back of securities being legally permissible, it is proposed to enable the Company to buy back its shares or such other permissible securities, not exceeding 10% of the paid-up capital of the Company from the Members of the Company either from the open market or from the holders of odd lots, or from the holders of the shares that may be issued under the Employees' Stock Option Scheme or as permitted by the law. The buy-back of shares or securities would be at the rate and from the funds permitted by the law as set out in the resolution.

The resolution, if approved, will be operative for and will be given effect to within a period of 15 months from the date of passing the resolution or such other time limit laid by the law.

The Directors commend the resolution for acceptance by the Members.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

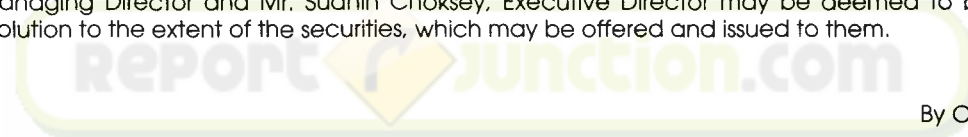
Item No.11

In the present competitive environment in the country and in the long term interest of the company and its shareholders, it is necessary that the Company adopts measures for attracting and retaining qualified, talented and competent personnel. Stock Option Schemes, designed to foster a sense of ownership and belonging amongst personnel, are a well-accepted approach to this end. It is, therefore, appropriate to consider introducing a Stock Option Scheme for the permanent employees of the company and its Managing / Whole-time directors. The shares may be allotted directly to employees or allocated in accordance with a Stock Option Scheme framed in that behalf, in accordance with the provisions of the prevailing law. It is intended that any such Stock Option Scheme shall not involve an issue / allocation of shares / options representing more than 10% of the Company's outstanding subscribed and paid-up capital at any time. The proposed resolution is designed to enable achievement of these objectives.

Section 81 of the Act, provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by the allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in the said Section unless the shareholders in General Meeting decide otherwise. The consent of the shareholders is, therefore, sought to authorise the Board of Directors to issue the shares in the manner set out in the resolution.

The Board commends the resolution for acceptance.

Mr. Nitin Palany, Managing Director and Mr. Sudhin Choksey, Executive Director may be deemed to be concerned or interested in the resolution to the extent of the securities, which may be offered and issued to them.



June 12, 1998

By Order of the Board

Registered Office :

"GRUH"
 Netaji Marg,
 Nr. Mithakhali Six Roads,
 Ellisbridge,
 Ahmedabad 380 006

Marcus Lobo
 Company Secretary



DIRECTORS' REPORT

To The Members,

Your Directors present the Twelfth Annual Report with the audited accounts for the year ended March 31, 1998.

FINANCIAL RESULTS :

(Rs. in lac)

	For the year ended March 31, 1998	For the year ended March 31, 1997
Profit Before Tax	149.51	501.52
Provision for Tax	47.00	95.00
Profit After Tax	102.51	406.52
Excess/(Short) Provision for earlier years	5.87	1.68
Profit & Loss Account balance brought forward	262.27	225.97
Amount available for appropriation	370.65	634.17
Appropriations :		
Special Reserve	156.00	186.00
General Reserve	5.00	11.00
Proposed Dividend	132.50	159.00
Tax on Dividend	13.25	15.90
Balance carried to Balance Sheet	63.90	262.27
	370.65	634.17

OVERVIEW :

During the year general slowdown of the economy, weak stock markets, depreciating rupee, East Asian turmoils, negative growth in agricultural production and political uncertainties all contributed to the dismal performance of corporates thereby affecting their cash-flow. Besides, the depressed real estate market continues to further aggravate the problems of the realtors.

A clearly focussed and well defined strategy had been laid out during the year to better face an uncertain future. Emphasis on individual home loans with penetration of operations through wider network of branches has paid off rich dividends. Loan approvals and disbursements for individual home loans during 1997-98 grew by 79% and 83% respectively on a year-to-year basis. With GRUH's strength in the market segment which caters to the needs of middle and low income households, it will intensify its operations and continue to focus on households in rural, semi-urban and urban areas.

Steps have been initiated to reduce non-interest expenses. An action plan has been worked out under which areas have been identified for achieving cost efficiency, cost reduction and cost control.

DIVIDEND :

Your Directors have recommended a lower dividend at 10% for the year as compared to 12% for the previous year.

LENDING OPERATIONS :

Approvals & Disbursements :

During the year loan approvals and disbursements were Rs. 106.95 crore and Rs. 89.29 crore respectively. Cumulative loan approvals and disbursements as of March 31, 1998, were Rs. 439.80 crore and Rs. 355.58 crore respectively. These approvals have helped finance over 27,000 housing units in Gujarat and Maharashtra. The Company has recorded an average annual compounded growth rate of 41.83% in respect of disbursements over the last 5 years.